

GENERAL SERVICES ADMINISTRATION  
Washington, DC 20405

CFO IL-14-03

GSA INSTRUCTIONAL LETTER

SUBJECT: Deferred Maintenance and Repairs (DM&R)

1. Purpose. To provide the policy for accounting and reporting DM&R for property and equipment (P&E).
2. Background. This Instructional Letter (IL) clarifies the definition of DM&R; addresses the distinction between maintenance, repairs, and capital expenditures; and provides reporting requirements for DM&R in accordance with the Statements of Federal Financial Accounting Standards (SFFAS) listed below.
3. Clearance due date. This IL is effective immediately.
4. Expiration date. This IL will remain in effect for one year from the issue date or until amended or incorporated into the GSA CFO P 4260.2, Volume 2, *Financial Reporting Requirements*, whichever is sooner.
5. Applicability. This IL applies to GSA organizations and key stakeholders that identify, evaluate, record, and/or disclose DM&R that directly impacts the financial reporting process.
6. Authority.
  - a. SFFAS No. 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32*.
  - b. SFFAS No. 40, *Definitional Changes Related to Deferred Maintenance and Repairs: Amending SFFAS 6, Accounting for Property, Plant, and Equipment*.
  - c. SFFAS No. 6, *Accounting for Property, Plant, and Equipment*.
7. Policy.
  - a. As defined in SFFAS 42, DM&R refers to "maintenance and repairs that were not performed when they should have been or were scheduled to be and which are put off or delayed for a future period." Maintenance and repairs (M&R) refer to activities directed toward keeping fixed assets in an acceptable condition. These activities include preventive maintenance; replacement of parts, systems, or components; and

other activities needed to preserve or maintain the asset. M&R, as distinguished from capital improvements, exclude activities directed toward expanding the capacity of an asset or otherwise upgrading it.

b. SFFAS 42, paragraph 9, permits the following methods to measure DM&R.

(1) Condition assessment surveys, which are periodic inspections of P&E to assess their condition and estimated cost to correct deficiencies, e.g., GSA's Physical Condition Survey used to collect information about the condition of each system within a building.

(2) Life cycle cost forecasts, which are acquisition techniques that consider operating, maintenance, and other costs in addition to the acquisition cost of assets.

(3) Other methods similar to the condition assessment survey or life cycle cost forecast.

c. GSA must report material amounts of DM&R for each major class of P&E in the Required Supplementary Information (RSI) of the financial statements. In addition, narrative information to be reported includes:

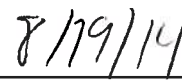
- (1) M&R policy summary and description of how they are applied;
- (2) Policies for ranking and prioritizing M&R activities;
- (3) Factors considered in determining acceptable condition standards;
- (4) Whether DM&R relates solely to capitalized general P&E or also to amounts related to non-capitalized or fully depreciated general P&E;
- (5) Identification of P&E for which management does not measure and/or report DM&R and the rationale for exclusion of other than non-capitalized or fully depreciated P&E;
- (6) Beginning and ending balances by P&E category; and
- (7) Explanation of significant changes from prior year.

8. Contact information. Please contact Tanya Smith at 202-208-0547 or by email at [tanya.smith@gsa.gov](mailto:tanya.smith@gsa.gov) if you have questions related to this IL.

9. Signature.



MICHAEL CASELLA  
Chief Financial Officer  
Office of the Chief Financial Officer



Date